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The Conference Board

Report Number 988

Corporate Directors' Compensation, 1992 Edition

A survey of 891 U.S. companies shows:

- *compensation 10 percent higher, overall*
- *financial and service industries lag manufacturing*
- *stock compensation trend continues, led by increase in stock options*
- *one in three report an increase this year*
- *benefits pattern unchanged since 1990*

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Founded in 1916, The Conference Board's twofold purpose is to improve the business enterprise system and to enhance the contribution of business to society.

To accomplish this, The Conference Board strives to be the leading global business membership organization that enables senior executives from all industries to explore and exchange ideas of impact on business policy and practices. To support this activity, The Conference Board provides a variety of forums and a professionally managed research program that identifies and reports objectively on key areas of changing management concern, opportunity and action.

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Corporate Directors' Compensation, 1992 Edition

by Kay Worrell

Contents

5 FROM THE PRESIDENT

6 EXECUTIVE SUMMARY

7 DATA ANALYSIS AND TERMINOLOGY

8 TOTAL ANNUAL COMPENSATION OF OUTSIDE DIRECTORS

13 FORMS AND AMOUNTS OF COMPENSATION FOR REGULAR BOARD SERVICE

17 COMPENSATION FOR SERVICE ON BOARD COMMITTEES

24 BENEFITS FOR OUTSIDE DIRECTORS

27 STOCK COMPENSATION FOR OUTSIDE DIRECTORS

Tables

9 1. Amounts and Changes of Total Annual Compensation for Outside Directors in the Three Major Industry Categories, for 1991 and 1990

9 2. Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 341 Manufacturing Companies, by Industry

10 3. Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 341 Manufacturing Companies, by Company Size

10 4. Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 211 Financial Companies, by Industry

11 5. Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 211 Financial Companies, by Company Size

11 6. Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 294 Service Companies, by Industry

12 7. Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 294 Service Companies, by Company Size

13 8. Forms of Compensation for Regular Board Service

14 9. Retainers Paid for Regular Board Service, by Industry Category

14 10. Retainers Paid for Regular Board Service by 322 Manufacturing Companies, by Company Size

14 11. Retainers Paid for Regular Board Service by 187 Financial Companies, by Company Size

15 12. Retainers Paid for Regular Board Service by 284 Service Companies, by Company Size

15 13. Fees Paid for Regular Board Meetings

15 14. Total Board-Only Annual Compensation, by Company Size

16 15. Number of Board Meetings per Year, by Industry Category

16 16. Number of Board Meetings per Year, by Company Size and Industry

16 17. Length of Typical Board Meeting in Hours, by Company Size and Industry
17 18. Prevalence and Methods of Payment for Principal Board Committees, in 891 Companies
18 19. Committee Compensation as a Percentage of Total Compensation, in 760 Companies
18 20. Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies
18 21. Forms and Amounts of Payment for Principal Board Committees, Financial Companies
19 22. Forms and Amounts of Payment for Principal Board Committees, Service Companies
19 23. Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees
19 24. Incidence of Payment for Members and Chairmen of Board Committees
20 25. Compensation of Chairmen of Board Committees, Manufacturing Companies
20 26. Compensation of Chairmen of Board Committees, Financial Companies
21 27. Compensation of Chairmen of Board Committees, Service Companies
21 28. Number of Committees Reported per Company, by Industry Category
22 29. Number of Committees Reported per Company, by Company Size
22 30. Number of Meetings Per Year of Principal Committees, by Industry Category
23 31. Number of Meetings per Year of Six Principal Committees, by Company Size
24 32. Principal Insurance and Other Benefits Provided to Outside Directors
25 33. Number of Benefits for Outside Directors per Company, in 891 Companies
25 34. Number of Benefits for Outside Directors per Company, by Company Size
26 35. Incidence of Retirement Benefit Plans for Outside Directors in 891 Companies, by Industry Category
26 36. Incidence of Retirement Benefit Plans for Outside Directors in 891 Companies, by Company Size
28 37. Stock Compensation, by Industry Group
28 38. Stock Compensation, by Company Size
29 39. Size of Grant/Award/Payment in 1990

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Author's Acknowledgments

The author would like to thank Charles Peck, Senior Research Associate, who wrote the section, "Stock Compensation for Outside Directors."

From the President

As the role of outside director becomes more demanding in time, effort and accountability, compensation for service is being structured to reward these increased responsibilities.

Compensation and benefits are reported by industry category and company size. Trends in stock compensation, reported for the first time last year, are presented once again.

This report was made possible with assistance from the National Office of the American Society of Corporate Secretaries. We gratefully acknowledge the members of the Society, who contributed their time and effort to this study.

PRESTON TOWNLEY
President and CEO

Executive Summary

This report analyzes the amount and forms of 1991 compensation to outside directors, according to industry, company size, and type of board service.

Trends

Compensation of members of boards of directors rose 11 percent in manufacturing and 9 percent in the service sector, as measured by the difference in median cash compensation paid in 1991 over 1990. In the financial industries the increase was even larger, nearly 13 percent, bringing the financial sector up to the level of compensation paid in the other service industries—a median total compensation of $23,400 for financial and $23,640 for other service companies. Manufacturing still leads with a median of $27,200 paid to board members.

Telephone communications leads all other industry groups in outside board member pay, with a median typical compensation of $41,500 (the high end of the range approaches $100,000). Other industry groups paying, on average, over $30,000 are manufacturers of food, beverage and tobacco; biotechnical and pharmaceutical products; chemicals, both industrial and consumer; petroleum products; aerospace and transportation equipment. Among services, transportation and oil and gas transmission companies fell in this category. Within the financial industries, only mutual life insurance and diversified financial service companies paid over $30,000.

Much of the increase in compensation is accounted for by increases in board and committee fees. Though retainers were as likely to be reduced as not, fees were raised moderately overall. Within the financial industries in particular, a notable increase in the use of per-meeting fees only corresponds with a drop in the proportion using both fees and retainers, from 81 percent in 1990 to 76 percent in 1991.

Method

Information for this report was collected during June of 1991. Questionnaires were mailed to the members of the American Society of Corporate Secretaries. Usable information was collected from 891 U.S. companies in three major industry categories: 354 manufacturers; 220 financial companies; and 317 service companies. In almost all cases, respondents represent independent or parent companies rather than subsidiaries.

Committee Service

The proportion of total compensation paid for committee service is up slightly. This rise is consistent with increased reliance on per-meeting fees, thus relating compensation more closely to performance of board responsibilities. Retainers remain largely unchanged for the most prominent board committees (Audit, Compensation, Executive and Nominating), but are noticeably less for some other committees.

Benefits

Prevalence of reported insurance and other benefits to outside directors remain largely unchanged. Eight in ten companies pay for directors' and officers liability insurance and nearly half offer deferred board compensation.

Stock Compensation

Greater use of compensation in stock continues. This trend is led by an increase in stock option arrangements, now used by one in four companies.

Data Analysis and Terminology

This report deals only with *outside director* compensation; that is, a director who is not an employee of the company. The term *retainer* indicates an annual amount, which may be paid in installments during the year, and is not directly related to and does not depend on attendance at board or committee meetings. The term *fee* means a payment for attendance on a per-meeting basis.

Regular board service refers to meetings and other work of the *full board*, as distinguished from committee service.

Responses are not always from the same companies from one survey to the next. Thus, measurements of change between surveys are based on statistics from comparable samples, not change within an identical repeated sample.

In the table of contents and throughout this report, "total annual compensation" is used to refer to the "total potential annual compensation," as computed and described below.

Industry and Size Categories

Data are analyzed by:

- major industry (manufacturing, financial and services);
- individual industries (50 in all) within the major industries;
- company size, using 6 to 14 size groups ranging from under $25 million to over $25 billion in sales (or total assets for financial companies).

Changes were made in specific industry categories used in this year's data collection, both to reflect the changing makeup of the corporate universe and to increase comparability among Conference Board products (see Table 2 for detailed changes).

Percentages and Central Tendencies

The base used for calculating percentages is the number of companies that answered the particular question or part of a question.

Medians

Medians are most often used to show representative or typical values. A median is the middle value in a distribution arrayed by size, above and below which lie an equal number of values.

Modes

Some tables show modes as well as medians. A mode is the value in a set of data that appears most frequently. Where the frequency is shared by two or more values, all such values are listed as modes.

Quartiles

Third quartiles are shown in some tables. For the purposes of this report, the third quartile number used—in an array of values according to size—is at, or nearest above, the 75th percentile point on a cumulative frequency scale. (Three-fourths of the cases will be below this point.)

Total Annual Compensation

The study uses a figure that is unique to this series: *total potential annual compensation (regular board service plus committee service) to representative outside directors*. In most cases, this figure is provided by the survey respondent; in other cases, it is calculated by The Conference Board. It represents what a typical director of a given company makes in a year if he or she attends all required board and committee meetings. We believe it is the best single indication of board pay to use in compensation comparisons.

Total Annual Compensation of Outside Directors

The total annual compensation of outside directors for one year's board service, including committee service, is presented in this section. Data are shown for the three major industry groups—manufacturing, financial and services—by 50 specific industry categories and by company size within the major industry groups. Dollar amounts and percentages of increase (or decrease) over the previous year are also included.

Total Compensation in 1991

Among manufacturing companies in 1991, a median total annual compensation of $27,200 was paid to directors. The median paid in service companies was $23,640, and the median reported in the financial industry was $23,400. These figures represent increases over 1990 of: $2,600, or 11 percent, in manufacturing; $2,600, or 13 percent, in financial companies; and $2,040, or 9 percent, in the service sector.

How Compensation Was Increased

One in three companies reported that compensation to their directors was increased in 1991. Based on those reporting figures, increases ranged from $500 to $15,000 in manufacturing with a median increase of $3,800 (and a modal increase of $5,000); from $100 to $23,000 in finance with a median increase of $2,000 (also the mode); and $250 to $20,000 among service companies with a median of $3,000 (and again, a mode of $5,000).

Increased or added board retainers were the most frequently cited cause of these changes, accounting for one in three of the increases.

Components of Pay Increases	*No. of Companies Mentioning*
Board annual retainer increase only	104
Board retainer added	6
Board annual retainer and per-meeting fee	16
Board annual retainer and per-meeting fee and committee pay	40
Board annual retainer and committee pay	25
Board meeting fee increase only	18
Board and committee fees only	28
Committee pay only	5
Board meeting fee and committee pay	31
Other explanation	44

About the Total Potential Annual Compensation Figure

One aim of this report is to provide a basis for a company to compare its outside directors' compensation with that of other companies in the same or different industry categories.

This chapter analyzes how much a typical outside director can expect to earn, in total, for a full year's service on the board (regular board service plus committee service). This amount is "total potential annual compensation." We believe it is the best indication of board pay to use in compensation comparisons.

"Total potential annual compensation" is based on the assumption that the typical director attends and is paid for every board meeting and every meeting of every board committee on which he or she serves. It is the *potential* compensation for full participation.

Because this is what a *typical* director on a board could receive, some directors will receive more or less, depending on committee assignments or chairmanships.

Table 1: Amounts and Changes of Median Total Potential Annual Compensation for Outside Directors in the Three Major Industry Categories, for 1991 and 1990

Industry Category	1991 Median Total Potential Annual Compensation	1990 Median Total Potential Annual Compensation	Amount of Increase (Decrease) Over 1990	Percent of Increase (Decrease) Over 1990
Manufacturing	**$27,200**	$24,600	$2,600	11%
Financial	**23,400**	20,800	2,600	13
Service	**23,640**	21,600	2,040	9

Table 2: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 341 Manufacturing Companies, by Industry

Industry	Number of Companies	Range of Compensation	1991 Median Annual Compensation (341 Companies)	1990 Median Annual Compensation (424 Companies)	Percent Increase (Decrease)
Aerospace, aircraft and parts	19	$ 5,000-69,000	**$36,000**	$32,000	13
Biotechnical, pharmaceutical	20	3,000-72,000	**31,000**	NA	NA
Building materials	8	16,000-34,000	**23,550**	17,000	39
Computer hardware, office equipment	19	4,000-59,100	**21,000**	22,000	(5)
Consumer chemicals	9	21,000-48,000	**36,000**	NA	NA
Electric and electronic machinery	35	300-55,600	**23,000**	NA	NA
Fabricated metal products	29	5,400-47,000	**21,750**	24,100	(10)
Food, beverage and tobacco	27	3,785-87,250	**35,000**	29,400	19
Industrial chemicals	24	3,150-60,000	**31,000**	26,900	15
Industrial machinery	18	9,000-37,000	**17,750**	NA	NA
Paper and allied products	22	3,200-47,000	**26,120**	26,500	(1)
Petroleum and petroleum products	24	1,500-64,600	**35,250**	30,000	18
Plastic, rubber and leather	6	6,500-25,000	**17,150**	19,500	(12)
Precision instruments	6	15,600-30,000	**19,000**	17,375	9
Primary metals, including steel	19	2,000-45,600	**29,250**	29,250	0
Printing and publishing	16	12,000-34,000	**19,850**	22,000	(10)
Stone, clay, glass and concrete	6	10,000-36,700	**19,000**	NA	NA
Textile, apparel and fabric	10	6,300-35,000	**15,700**	23,250	(33)
Transportation equipment	14	17,000-61,000	**31,500**	28,000	13
Other manufacturing	10	8,300-65,800	**22,575**	24,000	NA

The following categories, used last year, are not entirely comparable to this year's categories, but may be of interest to some readers:

Chemicals, paints and related products (figure shown with this year's "Industrial chemicals")
Computers, electronics (figure shown with this year's "Computer hardware")
Drugs, pharmaceuticals, soaps, cosmetics $22,000
Electrical industrial equipment 22,750
Machinery (not otherwise specified) 21,400
Motor vehicles and parts 29,750
Nonferrous metals 20,400

Table 3: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 341 Manufacturing Companies, by Company Size[1]

Company Size By Sales (Millions of Dollars)	Number of Companies	Range of Compensation	1991 Median Annual Compensation (341 Companies)	1990 Median Annual Compensation (424 Companies)	Percent Increase (Decrease)	1991 Third-Quartile Compensation 2
Under $25	15	$ 1,500-37,500	**$ 7,600**	$ 7,000	9%	$17,500
25-49	12	2,400-41,000	**14,200**	10,000	42	21,500
50-99	23	300-31,000	**13,000**	13,500	(4)	18,000
100-199	31	1,100-36,000	**16,400**	16,000	3	21,500
200-349	27	5,400-60,000	**19,350**	17,375	11	23,100
350-499	27	3,785-33,000	**20,000**	20,000	0	25,000
500-749	32	3,200-33,200	**22,750**	21,000	8	27,350
750-999	14	20,000-50,400	**25,500**	25,000	2	31,000
1,000-1,999	40	12,000-51,000	**30,000**	28,800	4	35,000
2,000-2,999	30	19,400-51,350	**33,000**	33,000	0	35,900
3,000-4,999	27	25,600-48,000	**37,000**	36,500	1	42,000
5,000-9,999	32	32,400-69,000	**41,500**	NA	NA	49,625
10-24.9 billion	20	33,000-78,000	**48,875**	NA	NA	56,500
25 billion and over	11	38,000-87,250	**54,500**	NA	NA	61,000

[1] Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.
[2] Figure for company at, or nearest above, 75 percent point in range.

Table 4: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 211 Financial Companies, by Industry[1]

Industry	Number of Companies	Range of Compensation	1991 Median Annual Compensation (211 Companies)	1990 Median Annual Compensation (222 Companies)	Percent Increase (Decrease)
Bank holding company	72	$ 1,060-50,500	**$21,300**	$19,500	9%
Commercial banking	20	4,000-48,000	**19,025**	21,400	(11)
Savings institution	21	3,000-36,400	**19,800**	18,600	7
Insurance-mutual property and casualty	6	5,000-17,000	**13,250**	14,700	(10)
Insurance-stock property and casualty	23	400-70,000	**25,000**	24,000	4
Insurance-mutual life	13	17,700-63,000	**31,400**	34,000	(8)
Insurance-stock life	12	3,000-39,000	**24,325**	20,250	20
Investment company (incl. real estate trusts)	13	2,500-76,000	**12,000**	15,000	(20)
Diversified financial service	19	5,000-83,000	**31,700**	32,000	(1)
Other	12	6,700-42,000	**26,025**	NA	NA

[1] Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 5: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 211 Financial Companies, by Company Size[1]

Company Size By Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	***1991 Median Annual Compensation (211 Companies)***	*1990 Median Annual Compensation (222 Companies)*	*Percent Increase (Decrease)*	*1991 Third-Quartile Compensation*[2]
Under $100	17	$ 2,000-34,000	**$12,000**	$12,000	0%	$15,500
100-199	21	400-76,000	**13,000**	9,500	37	27,600
200-499	20	6,300-37,750	**11,750**	10,500	12	16,250
500-999	25	4,600-50,500	**18,400**	14,700	25	26,800
1,000-1,999	19	3,000-33,000	**23,000**	17,200	34	27,000
2,000-2,999	14	6,050-56,750	**22,400**	19,200	17	36,400
3,000-4,999	16	7,000-50,400	**24,375**	21,200	15	26,600
5,000-9,999	24	11,400-48,000	**25,400**	NA	NA	30,950
10-24.9 billion	26	11,100-83,000	**33,500**	NA	NA	40,400
25 billion and over	29	6,700-73,000	**36,350**	NA	NA	48,050

[1] Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2] Figure for company at, or nearest above, 75 percent point in range.

Table 6: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 294 Service Companies, by Industry

Industry	*Number of Companies*	*Range of Compensation*	***1991 Median Annual Compensation (294 Companies)***	*1990 Median Annual Compensation (280 Companies)*	*Percent Increase (Decrease)*
Computer services and software	9	$12,000-35,450	**$20,000**	NA	NA
Construction	4	8,250-30,000	**17,100**	$12,000	43
Construction design, engineering	5	11,000-38,000	**25,650**	NA	NA
Health care	9	5,000-42,200	**21,000**	NA	NA
Hotels, restaurants, entertainment	10	4,000-46,000	**29,900**	27,000	11
Mining	15	5,000-36,000	**18,000**	15,600	15
Oil & gas extraction	13	7,000-62,000	**22,000**	NA	NA
Oil & gas transmission	5	18,000-39,000	**31,000**	NA	NA
Oil & gas field services	9	9,500-48,000	**19,300**	NA	NA
Real estate	6	6,000-32,000	**25,000**	NA	NA
Public utility:					
Electricity only	37	1,860-42,000	**22,400**	24,000	(7)
Electricity and gas	30	8,750-40,000	**22,025**	20,000	10
Gas only	23	6,025-35,000	**21,750**	20,600	6
Telephone	9	26,000-91,610	**41,500**	36,000	15
Water	5	7,200-22,600	**11,000**	15,000	(27)
Retail trade	27	4,000-65,000	**28,000**	23,000	22
Wholesale trade	12	10,000-41,500	**25,250**	19,000	33
Transportation (air, land, sea)	17	7,500-62,600	**30,000**	23,300	29
Holding company	27	1,250-60,000	**27,600**	22,000	26
Miscellaneous service	22	3,800-55,200	**19,100**	17,550	9

Table 7: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 294 Service Companies, by Company Size[1]

Company Size By Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	***1991 Median Annual Compensation (294 Companies)***	*1990 Median Annual Compensation (280 Companies)*	*Percent Increase (Decrease)*	*1991 Third-Quartile Compensation*[2]
Under $50	26	$ 5,000-23,800	**$10,000**	$12,500	(20)%	$16,000
50-99	16	6,600-21,600	**13,700**	11,100	23	18,750
100-199	30	1,250-38,000	**17,500**	16,000	9	22,600
200-349	28	3,800-35,000	**17,250**	17,400	(1)	22,125
350-499	19	13,000-32,000	**21,000**	16,000	31	24,000
500-749	27	12,000-38,000	**21,800**	22,000	(1)	27,300
750-999	17	5,500-39,000	**23,750**	21,100	13	28,000
1,000-1,999	46	1,860-91,610	**27,450**	23,800	15	31,800
2,000-2,999	22	17,400-60,000	**31,000**	26,010	19	35,000
3,000-4,999	20	22,250-55,200	**37,050**	33,000	12	41,000
5,000-9,999	25	22,000-62,600	**37,100**	NA	NA	45,600
10 billion and over	18	5,000-65,000	**38,700**	NA	NA	45,100

[1] Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2] Figure for company at, or nearest above, 75 percent point in range.

Forms and Amounts of Compensation for Regular Board Service

Compensation for regular board service, as distinct from committee service, is presented in detail in this section. It includes the forms that payment for board service takes—retainers, per-meeting fees or both—as well as the size of these payments. All information is presented by industry group and size of companies, as represented by annual sales (assets, for financial firms).

Overall, 91 percent of 1991 respondents report paying a retainer. The great majority of companies report paying both an annual retainer (which usually accounts for more than half of the total annual compensation) and per-meeting fees: 83 percent of manufacturers; 84 percent of service companies; and (down this year by 5 percent) 76 percent of financial companies.

Median retainers reported for the three groups were:

Manufacturing	$18,000
Financial	14,000
Service	15,000

Interestingly, in 1991 the most frequently reported figure (the mode) paid in each of the three groups is $20,000.

The size of retainers increases with company size, as measured by sales (or assets, for financial companies).

Fees tend to be largest among manufacturing companies—$1,000 is the median reported—whether alone or with retainers. Median fees of $800 are reported by both financial and other service companies that use both fees and retainers. For those paying fees only, the median is $500 among financial companies (which are likely to have more meetings per year than the other two groups) and $1,500 for other service companies.

Board-only compensation is shown in Table 14. This is total annual compensation, minus compensation for board committee service. A median figure of $24,000 was reported for manufacturing companies, $19,900 for financial companies, and $21,000 for service companies. The table shows medians for each size category by industry group.

Table 8: Forms of Compensation for Regular Board Service

	Percent of Companies Using Each		
Forms of Compensation	*344 Manufacturing Companies*	*214 Financial Companies*	*298 Service Companies*
Annual retainer:			
Both retainer and per-meeting fee	83%	76%	84%
Retainer only	11	11	11
Total paying retainer	94%	87%	95%
Per-meeting fee only	6	13	5
Totals	100%	100%	100%

Table 9: Retainers Paid for Regular Board Service, by Industry Category[1]

Industry Category	Number of Companies by Method of Payment	Range of Retainers	Median Retainer	Amount of Increase in Median Over 1990
Manufacturing	283 that pay retainer and fee	$1,000-45,000	$18,000	$ 0
	39 that pay retainer only	1,500-60,000	20,000	3,000
Financial	164 that pay retainer and fee	1,000-50,000	13,750	1,750
	23 that pay retainer only	2,000-48,000	16,000	2,500
Service	252 that pay retainer and fee	1,000-45,000	15,000	500
	32 that pay retainer only	4,800-50,000	16,750	750

[1] Annual retainers; fees for board meetings and all extra payments for committee service are excluded.

Table 10: Retainers Paid for Regular Board Service by 322 Manufacturing Companies, by Company Size

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third-Quartile Retainer [1]
Under $100	40	$ 1,350-30,000	$ 7,750	$11,000
100-199	30	3,000-25,000	12,000	15,000
200-349	23	3,600-25,000	12,000	18,000
350-499	25	1,000-30,000	13,000	16,000
500-749	30	10,000-23,000	16,000	18,000
750-999	14	9,000-50,400	19,000	20,000
1,000-1,999	40	5,000-51,000	20,000	24,500
2,000-2,999	30	12,000-35,000	20,000	24,000
3,000-4,999	27	12,000-45,000	22,000	25,000
5,000-9,999	31	20,000-45,000	25,000	28,000
10 billion or more	31	20,000-60,000	30,000	35,000

[1] Figure for company at, or nearest above, 75 percent point in range.

Table 11: Retainers Paid for Regular Board Service by 187 Financial Companies, by Company Size

Company Size by Assets (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third-Quartile Retainer [1]
Under $100	12	$1,000-20,000	$ 6,625	$16,000
100-199	16	1,500-35,000	7,225	12,500
200-499	17	3,600-27,000	7,500	12,000
500-999	22	1,200-24,000	10,000	15,000
1,000-1,999	14	3,000-20,000	15,250	18,000
2,000-2,999	12	4,500-37,000	15,500	24,500
3,000-4,999	16	4,000-28,000	12,600	17,000
5,000-9,999	24	6,000-25,000	12,000	16,000
10-24.9 billion	25	6,500-50,000	17,000	20,000
25 billion or above	29	7,000-48,000	20,000	25,000

[1] Figure for company at, or nearest above, 75 percent point in range.

Table 12: Retainers Paid for Regular Board Service by 284 Service Companies, by Company Size

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third-Quartile Retainer [1]
Under $100	39	$ 1,000-36,000	$ 7,500	$14,000
100-199	27	6,000-25,000	12,000	17,500
200-349	24	3,600-24,000	11,500	15,000
350-499	20	8,000-28,000	12,600	16,500
500-749	27	6,000-20,000	13,000	15,000
750-999	16	7,000-36,000	15,000	17,500
1,000-1,999	44	7,000-30,000	17,150	20,000
2,000-2,999	22	10,200-25,000	18,000	20,000
3,000-4,999	20	10,000-30,000	21,350	25,000
5,000-9,999	26	5,500-50,000	22,250	25,000
10 billion and over	18	1,500-30,000	21,500	25,000

[1] Figure for company at, or nearest above, 75 percent point in range.

Table 13: Fees Paid for Regular Board Meetings

Industry Category	Number of Companies by Method of Payment	Range of Fees	Median Fee	Amount of Increase in Median Over 1990
Manufacturing	283 that pay fee and retainer	$100-3,000	$1,000	$ 50
	22 that pay fee only	75-4,000	1,000	500
Financial	164 that pay fee and retainer	100-6,000	800	50
	27 that pay fee only	100-2,500	500	0
Service	252 that pay fee and retainer	100-6,000	800	50
	14 that pay fee only	60-5,000	1,500	0

Table 14: Total Board-Only Annual Compensation, by Company Size[1]

	Manufacturing		Financial		Service	
Company Size By Sales [2] (Millions of Dollars)	Number of Companies	Median Board-Only Compensation	Number of Companies	Median Board-Only Compensation	Number of Companies	Median Board-Only Compensation
Under $100	42	$10,000	15	$11,700	31	$10,000
100-199	23	15,000	16	12,300	25	16,000
200-499	50	17,000	16	10,150	41	16,200
500-999	41	21,000	24	15,600	35	18,750
1,000-1,999	39	26,000	16	15,250	41	23,200
2,000-2,999	26	28,550	14	18,750	22	26,250
3,000-4,999	25	29,600	16	19,400	18	30,850
5,000-9,999	31	35,000	23	20,880	25	31,000
10 billion or more	30	39,750	54	27,875	18	30,250

[1] Annual compensation for regular board service only, excluding any pay for committee service.
[2] By total assets for financial companies.

Table 15: Number of Board Meetings per Year, by Industry Category

Industry Category	Range of Meeting Frequencies	Median	Mode
Manufacturing	1-14	6	4
Financial	2-25	9	12
Service	2-20	6	4

Table 16: Number of Board Meetings per Year, by Company Size and Industry

Company Size By Sales [1] (Millions of $)	Frequency of Board Meetings								
	Manufacturing			Financial			Service		
	Range	Median	Mode [2]	Range	Median	Mode	Range	Median	Mode
Under $100	1-12	5	4	4-13	6	4	3-12	5	4
100-199	1-12	6	6	3-25	10.5	12	3-12	5	4
200-499	4-12	5	4	4-13	7	5	4-13	6	4, 6
500-999	4-10	5	4	4-24	11	12	4-13	6	5
1-2.9 billion	3-12	6	6	4-16	8.5	4, 12	2-13	7	6
3-9.9 billion	4-14	8	6, 9	4-13	8	12	4-20	8	4
10 billion or more	1-14	9	10	2-15	9	12	4-12	7.5	6

[1] By total assets for financial companies.
[2] If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 17: Length of Typical Board Meeting in Hours, by Company Size and Industry

Company Size By Sales [1] (Millions of $)	Length of Board Meetings (Hours)								
	Manufacturing			Financial			Service		
	Range	Median	Third-Quartile [2]	Range	Median	Third-Quartile [2]	Range	Median	Third-Quartile [2]
Under $100	1-14	4	5	1-6	2	4	2-12	3	5
100-199	1-8	4	4	1-5	2	3	1-8	3	4
200-499	1-10	4	4	1-8	3	3	1-10	3	4.5
500-999	1-8	3	5	1-4	2	3	2-8	3	3.5
1,000-2,999	1-8	3	4	1-14	3	3	1-8	3	3
3,000-9,999	1-8	3	4	1-6	2	3	1-6	3	4
10 billion and over	2-8	3	4	1-6	3	3	2-4	3	4

[1] By total assets for financial companies.
[2] Figure for company at, or nearest above, 75 percent point in range.

Compensation for Service on Board Committees

Payment specifically for board committee service is analyzed in this section. Payment for service as committee chairman is shown separately when it is higher than regular committee pay. Data on frequency and length of committee meetings are also presented.

Forms and Amounts of Payment for Board Committees

Board committee service is compensated by fees, retainers or both—most often by per-meeting fees. Committee fees for manufacturing firms showed considerably more variation in 1991 than in 1990, with median fees for most committees ranging from $500 to $1,000 (see Table 20). Fees were lower in financial companies, with medians between $425 and $850 (see Table 21). In nonfinancial service firms, median fees ranged from $550 to $850 (see Table 22).

There is much more variation among companies that pay a retainer only than those paying both a retainer and per meeting fees. For companies paying both, medians were between $2,250 and $4,250. For companies paying a retainer only, medians ranged from $1,500 to $15,000. In both cases, ranges and medians were exceptionally high for certain committees, notably the Finance Committee and Executive Committee (see Table 23).

Directors of financial firms receive a higher proportion of their total board compensation in the form of committee pay (see Table 19). This is because financial firms usually have more board committees and, on average, meet more frequently than other companies (see Tables 28 and 30). As noted above, median fees for committee service in financial companies are lower than in other industry groups. Retainers, however, tend to be higher.

Table 18: Prevalence and Methods of Payment for Principal Board Committees, in 891 Companies

Committee	Number of Companies with Committee	Percent	Number of Companies Paying for Committee	Percent [1]	Methods of Payment (by Number of Companies) Fee Only	Fee and Retainer	Retainer Only
Audit	855	96%	729	85%	596	79	28
Compensation	727	82	615	85	501	60	22
Executive	613	69	531	87	377	51	19
Nominating	400	45	358	90	280	32	10
Finance	235	27	210	89	162	21	4
Employee benefits/pension	153	17	128	84	92	14	3
Stock option	116	13	96	83	64	3	0
Public policy	86	10	80	93	63	11	3
Investment	86	10	72	84	58	5	1
Human resources	50	6	44	88	39	3	0
Planning	36	4	28	78	24	2	1
Contributions	20	2	15	75	11	1	0

[1] Based on the number of companies that have such a committee.

Table 19: Committee Compensation as a Percentage of Total Compensation, in 760 Companies

Industry Category	Range of Percentages	Median Percentage
Manufacturing	0-62%	15%
Financial	0-83	20
Nonfinancial service	0-100	15

Table 20: Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	263	$200-3,500	$ 750	47	$ 200-12,000	$2,500
Compensation	235	150-3,500	750	40	500-12,000	2,500
Executive	141	250-2,100	800	25	500-12,000	2,500
Nominating	136	250-2,000	825	27	1,000-12,000	2,500
Finance	74	250-1,500	900	11	1,000-12,000	2,500
Employee benefits/pension	49	300-1,300	800	8	400-5,500	2,750
Public policy	36	500-1,400	1,000	9	1,000-12,000	2,500
Stock option	33	250-1,000	500	3	100-5,000	3,000
Human resources	8	600-1,000	1,000	0	—	—
Investment	10	250-1,000	725	1	1,000	1,000
Planning	6	500-1,000	775	2	1,000-2,250	1,625
Contributions	4	500-1,000	875	1	3,000	3,000

Table 21: Forms and Amounts of Payment for Principal Board Committees, Financial Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	172	$100-2,000	$625	32	$1,000-20,000	$4,000
Compensation	121	50-2,000	700	19	1,500-15,000	4,000
Executive	132	50-1,250	700	20	1,000-12,500	4,000
Nominating	68	150-1,000	725	8	1,200-12,500	3,000
Finance	32	100-1,250	775	9	1,300-15,000	4,000
Employee benefits/pension	18	100-1,500	525	4	1,500-5,000	3,150
Public policy	21	275-1,000	850	2	3,000-3,500	3,250
Stock option	21	100-2,000	500	0	—	—
Human resources	20	100-1,000	750	3	1,300-4,000	3,500
Investment	42	50-1,000	650	4	1,200-6,000	4,250
Planning	8	200-750	425	0	—	—
Contributions	6	150-1,000	450	0	—	—

Table 22: Forms and Amounts of Payment for Principal Board Committees, Service Companies

Committee	Forms and Amounts of Payment: Fees — Number of Companies	Fees — Range	Fees — Median	Retainers — Number of Companies	Retainers — Range	Retainers — Median
Audit	240	$ 60-3,000	$750	28	$ 500-12,000	$3,000
Compensation	205	60-3,000	750	23	500-15,000	3,000
Executive	155	100-2,000	750	25	1,000-75,000	3,000
Nominating	108	100-2,000	750	7	250-4,000	2,500
Finance	77	60-2,000	750	5	2,000-6,000	4,000
Employee benefits/pension	39	250-1,500	800	5	1,200-4,000	3,500
Public policy	17	540-1,200	850	3	1,200-3,000	3,000
Stock option	13	250-1,000	750	0	—	—
Human resources	14	60-1,250	775	0	—	—
Investment	11	60-1,000	550	1	3,500	3,500
Planning	12	100-1,200	750	1	3,000	3,000
Contributions	2	500-1,000	750	0	—	—

Table 23: Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees

Committee	Manufacturing — Companies that Pay Both Retainer & Fee	Manufacturing — Companies that Pay Only Retainer	Financial — Companies that Pay Both Retainer & Fee	Financial — Companies that Pay Only Retainer	Service — Companies that Pay Both Retainer & Fee	Service — Companies that Pay Only Retainer
Audit	$2,500	$ 3,000	$3,000	$5,000	$3,000	$ 7,000
Compensation	2,500	3,000	2,900	5,000	3,000	6,750
Executive	2,250	4,000	4,000	4,000	3,000	15,000
Nominating	2,250	3,000	3,000	5,000	2,750	1,500
Finance	2,500	12,000	4,000	9,500	4,250	2,000

Table 24: Incidence of Payment for Members and Chairmen of Board Committees

Practice	1991 — Number of Companies	1991 — Percent [1]	1990 Percent
Pay extra for committee service	737	83%	83%
Pay chairmen of committee(s) more than committee members	407	46	45

[1] Percentage based on number of companies that have at least one committee.

Table 25: Compensation of Chairmen of Board Committees, Manufacturing Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	115	$ 500-20,000	$3,000	81	$500-5,000	$1,000
Compensation	108	500-18,000	3,000	75	500-5,000	1,000
Executive	33	1,000-25,000	3,000	38	500-5,600	800
Nominating	71	500-10,000	3,000	46	500-2,500	1,000
Finance	38	1,000-10,000	3,000	30	550-2,500	1,000
Employee benefits/pension	25	1,000-10,000	3,500	17	750-2,000	1,000
Public policy	21	500-7,400	4,000	13	700-2,500	1,200
Stock option	6	1,000-5,000	2,250	6	700-900	750
Human resources	4	2,000-6,500	2,500	5	600-1,500	1,000
Investment	2	2,000-3,000	2,500	3	800-2,000	1,500
Planning	1	2,750	2,750	2	700-1,500	1,100
Contributions	0	—	—	1	1,200	1,200

[1] Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees cannot be determined from the data.

Table 26: Compensation of Chairmen of Board Committees, Financial Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	68	$ 625-25,000	$3000	59	$100-1,750	$750
Compensation	40	625-25,000	3,000	40	100-1,750	775
Executive	23	1,000-15,000	2,800	25	200-2,000	750
Nominating	27	1,000-10,000	2,500	21	250-1,750	750
Finance	12	625-40,000	2,650	13	500-3,000	900
Employee benefits/pension	5	1,500-12,500	3,125	7	250-1,100	750
Public policy	13	625-10,000	4,000	6	325-1,500	750
Stock option	1	1,500	1,500	3	350-1,000	600
Human resources	11	1,000-20,000	3,000	5	250-1,000	700
Investment	13	1,000-10,000	2,000	13	200-1,500	630
Planning	1	1,600	1,600	1	350	350
Contributions	2	1,000-1,500	1,250	3	350-1,000	600

[1] Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees cannot be determined from the data.

Table 27: Compensation of Chairmen of Board Committees, Service Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	90	$ 200-22,000	$2,500	61	$ 350-2,000	$1,000
Compensation	72	200-10,000	2,500	54	350-2,000	1,000
Executive	32	200-25,000	3,000	28	500-1,500	1,000
Nominating	35	1,000-25,000	2,500	28	450-2,000	1,000
Finance	28	1,000-25,000	3,250	19	350-2,000	1,000
Employee benefits/pension	14	1,000-10,000	3,500	12	600-1,500	1,000
Public policy	12	1,200-5,000	2,750	9	540-1,500	1,000
Stock option	0	—	—	2	600-900	750
Human resources	5	1,200-5,000	5,000	3	1,000-1,500	1,250
Investment	2	200-1,500	850	4	350-1,100	1,000
Planning	1	3,000	3,000	2	750-1,250	1,000
Contributions	0	—	—	1	600	600

[1] Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees cannot be determined from the data.

Table 28: Number of Committees Reported per Company, by Industry Category

Number of Committees	Total Number of Companies Reporting Each	Percent	Manufacturing: Number of Companies	Manufacturing: Percent	Financial: Number of Companies	Financial: Percent	Service: Number of Companies	Service: Percent
1-2	117	13%	53	15%	24	11%	40	13%
3-4	409	46	161	47	88	40	160	51
5-6	271	31	101	29	78	36	92	29
7-8	74	9	29	8	26	12	19	6
9-10	5	1	1	*	2	1	2	1
Totals	876	100%	430	100%	223	100%	282	100%

* Less than 0.05 percent.

Table 29: Number of Committees Reported per Company, by Company Size

	Company Size Categories (Millions of Dollars)						
	Under $100	$100-199	$200-499	$500-999	$1,000-2,999	$3,000-9,999	$10 billion or more
Manufacturing Companies							
Number of companies	52	34	54	47	69	58	31
Range of committees reported	1-8	1-7	1-7	2-7	2-8	2-7	2-9
Median number of committees reported	3	3.5	4	4	4	5	6
Mode	2	4	4	4	4	5	5
Financial Companies							
Number of companies	19	22	21	26	34	41	55
Range of committees reported	1-6	1-7	2-7	2-8	1-8	3-9	1-9
Median no. of committees reported	4	3.5	4	5	4	4	5
Mode	4	4	4	5	4	3	5
Service Companies							
Number of companies	47	32	49	47	73	47	18
Range of committees reported	1-7	1-7	1-9	2-8	2-9	2-7	3-7
Median number of committees reported	3	3	4	4	4	5	5
Mode	2	3	3	4	4	5	5

Table 30: Number of Meetings per Year of Principal Committees, by Industry Category

	Manufacturing			Financial			Service		
Committee	Range of Meeting Frequency	Median	Mode [1]	Range of Meeting Frequency	Median	Mode [1]	Range of Meeting Frequency	Median	Mode [1]
Audit	1-8	3	2	1-12	4	4	1-12	3	3
Compensation	1-11	3	2	0-12	3	4	1-11	3	2
Executive	0-30	2	1	0-60	4	4	0-20	2.5	1
Nominating	0-5	2	1	0-8	2	1	0-5	1	1
Finance	0-12	3	4	1-18	4	4	0-12	3	4
Employee benefits/pension	1-6	2	2	0-6	2	2	1-6	2	2
Public policy	1-8	3	3	1-12	3.5	4	1-6	3	2, 4
Stock option	1-6	2	1	0-4	1	1	0-5	1	1
Planning	1-4	2	2	1-4	3	4	1-4	2	2
Human resources	1-5	3	3	2-12	4	4	1-7	4	4
Investment	1-8	4	4	1-24	4	4	1-4	4	4
Contributions	1-4	2	2	1-4	2	1,2	1-4	3	4

[1] If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 31: Number of Meetings per Year of Six Principal Committees, by Company Size

Committee	Company size categories in millions of dollars [1]						
	Under $100	$100-$199	$200-$499	$500-$999	$1,000-$2,999	$3,000-$9,999	$10 billion and more
Manufacturing Companies							
Audit							
Range of meeting frequencies	1-6	2-6	1-6	1-6	1-6	2-8	2-6
Median	2	2	2	3	3	3	4
Compensation							
Range of meeting frequencies	1-6	1-6	1-8	1-8	1-10	2-11	2-10
Median	2	2	2	2	3	4	5
Executive							
Range of meeting frequencies	0-8	0-12	0-15	0-25	0-25	0-10	0-30
Median	4	2	2	2	2	1	1
Nominating							
Range of meeting frequencies	0-3	1-4	1-4	1-3	0-4	1-5	1-5
Median	1	1	1	2	2	2	2
Finance							
Range of meeting frequencies	1-2	1-8	1-8	1-5	0-6	1-11	2-12
Median	1.5	2	2	3	3	4	4
Employee benefits/pension							
Range of meeting frequencies	3-4	1-4	1-4	1-6	1-6	1-4	1-4
Median	4	3.5	2	2	2	3	2
Financial Companies							
Audit							
Range of meeting frequencies	1-12	1-12	2-6	1-8	1-12	2-8	2-12
Median	3.5	3	4	3	4	4	4
Compensation							
Range of meeting frequencies	1-6	0-4	1-4	1-4	1-12	1-5	1-10
Median	2	2	2	2	3	3	4
Executive							
Range of meeting frequencies	4-12	1-26	0-6	0-12	0-60	0-59	0-52
Median	10	7.5	2.5	4	8	4	4
Nominating							
Range of meeting frequencies	2	1-8	2-6	1-2	0-6	0-4	0-8
Median	2	1.5	2	1	1	1.5	2
Finance							
Range of meeting frequencies	5-6	1-12	4-12	2-4	3-9	1-12	3-18
Median	5.5	3.5	4	3	4	5	7.5
Employee benefits/pension							
Range of meeting frequencies	1	4	1-2	0-6	2-6	2-5	2-4
Median	1	4	1	1.5	3.5	4	2
Service Companies							
Audit							
Range of meeting frequencies	1-5	1-6	1-6	1-7	1-12	2-7	2-6
Median	2	3	3	3	3	3	4
Compensation							
Range of meeting frequencies	1-6	1-7	1-6	1-6	1-8	1-11	2-8
Median	2	2	3	3	3	4	4
Executive							
Range of meeting frequencies	0-12	0-11	0-13	0-12	0-12	0-12	0-20
Median	3	2.5	3	2.5	2	1.5	3
Nominating							
Range of meeting frequencies	0-2	1-3	0-4	1-3	1-5	1-4	1-4
Median	1.5	1	1	1	2	2	2
Finance							
Range of meeting frequencies	1-2	1	1-6	0-7	1-8	1-12	1-6
Median	1.5	1	4	3.5	3	4	3
Employee benefits/pension							
Range of meeting frequencies	1-2	2	1-4	1-6	1-4	1-4	2-4
Median	1.5	2	2.5	3	3	2	2

[1] Measured in sales for manufacturing and service firms, total assets for financial firms.

Benefits for Outside Directors

The prevalence of insurance and other benefits for outside directors has changed little over the past several years. The most frequent benefit is directors' and officers' liability insurance reported by 79 percent of the companies. The next most frequent benefit, deferred board compensation, is mentioned by 46 percent of respondents. One in three companies reports a retirement plan for directors.

The number and type of benefits do not vary by industry. Larger companies, however, tend to offer more benefits.

Table 32: Principal Insurance and Other Benefits Provided to Outside Directors

Benefit	*1991 Number of Companies*	***1991 Percent***	*1990 Percent*
Insurance:			
Directors and officers liability	703	**79%**	78%
Travel accident	315	**35**	36
Life	137	**15**	16
Accident and death and dismemberment	145	**16**	17
Medical and hospitalization	70	**8**	9
Other Benefits:			
Deferred board compensation	408	**46**	49
Matching donations (educational, cultural, philanthropic, other)	274	**31**	33
Retirement or pension plan	287	**32**	31
Free or discounted company products or services	70	**8**	10
Noninsured health benefits (such as physical exams)	12	**1**	2
Payments to Honorary or Emeritus Directors: (Distinct from General Board Retirement Benefits)	76	**9**	7

Table 33: Number of Benefits for Outside Directors per Company, in 891 Companies[1]

Number of Benefits	*Companies Reporting This Number*	*Percent*
None	128	14%
1	182	21
2	136	15
3	127	14
4	89	10
5	89	10
6	63	7
7-8	64	7
9-10	13	2

[1] Includes directors and officers liability insurance.

Table 34: Number of Benefits for Outside Directors per Company, by Company Size[1]

	Median Number of Benefits Per Company					
	354 Manufacturing Companies		*220 Financial Companies*		*317 Service Companies*	
Company Size by Sales (millions of $)[2]	*Range*	*Median*	*Range*	*Median*	*Range*	*Median*
Under $100	0-5	1	0-9	1	0-7	1
100-199	0-5	1	0-5	1	0-6	1
200-499	0-7	1.5	0-4	1	0-7	2
500-999	0-8	3	0-5	2	0-7	2
1,000-2,999	0-7	3	0-8	2	0-9	3
3,000-9,999	0-10	5	0-8	4	1-10	5
10 billion and over	2-10	6	0-10	4	0-8	4.5

[1] Not counting directors and officers liability insurance, or reimbursement of expenses for attending meetings.
[2] Financial companies are measured by total assets.

Table 35: Incidence of Retirement Benefit Plans for Outside Directors in 891 Companies, by Industry Category

Industry Category	Number of Companies With a Plan	Percent
Manufacturing	123	35%
Financial	60	27
Service	104	33

Table 36: Incidence of Retirement Benefit Plans for Outside Directors in 891 Companies, by Company Size

	Companies with Plans, in:					
	Manufacturing		Financial		Service	
Company Size by Sales (millions of $)[1]	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group
Under $100	1	2%	3	16%	3	6%
100-199	3	9	2	9	7	21
200-499	14	25	2	10	9	18
500-999	13	28	4	15	15	32
1,000-2,999	24	34	8	24	27	37
3,000-9,999	46	78	15	37	30	64
10 billion and over	22	71	26	46	13	72

[1] Financial companies are measured by total assets.

Stock Compensation for Outside Directors

The trend identified in last year's study toward offering stock compensation to outside directors continues. Last year, 33 percent of the participating companies offered stock; this year, 37 percent of the 891 survey respondents include stock in their directors' pay packages.

Among the major industry groups, manufacturing has the most stock compensation plans for directors. Forty-six percent of the 354 manufacturers report such arrangements. No doubt this is because manufacturing has the longest tradition of using stock compensation. Among service organizations, 100 of the 317 companies have stock programs, as do 62 of the 220 financial companies.

The major impetus behind this trend is probably the need to offer increasingly attractive compensation packages to recruit and retain highly qualified directors who can meet the challenges of a complex business environment.

Other reasons for stock compensation include:

1. Link director and shareholder in a common interest — the value of the company's stock.
2. Retain directors by tying stock ownership to continued board service.
3. Allow directors to reduce current tax liability.
4. Enable directors to acquire company stock without having to purchase it on the open market.
5. Apply the pay-for-performance concept to directors' compensation by relating the discharge of their responsibilities to company performance as measured by the value of its stock.

One possible argument against stock compensation is that there could be conflict of interest if a director focuses on short-term results that may increase stock value at the expense of long-term objectives.

Three forms of outside director stock compensation are examined here.

Stock options: A right to purchase shares of company stock at a fixed price for a fixed time. The price is usually 100 percent of fair market value. However, a few companies set the option price at less than market.

Restricted stock: Shares of company stock are awarded subject to restrictions on sale or transfer for a fixed period, often until retirement or certain other termination of service.

Stock payment: A portion of annual compensation is paid in company stock.

Stock Options

Of the 891 companies, 26 percent could grant stock options to outside directors. The prevalence of stock options by major industry category is shown in Table 37; prevalence by company size is shown in Table 38.

Twenty-three of the companies with stock options could make grants at less than 100 percent of fair market value. The median discount was 15 percent of market value (or, the option price was 85 percent of market.)

Of the 230 companies with stock options, 51 percent made grants in 1990. The median typical grant was $39,000 (number of shares granted multiplied by fair market value on the date of grant). The first quartile was $22,500; the third quartile was $75,000 (see Table 39).

Restricted Stock

Eight percent of the 891 participating companies could award shares of stock subject to restrictions to outside directors. The prevalence of restricted stock plans by industry group is shown in Table 37; prevalence by company size is shown in Table 38.

Fifty-nine percent of the 69 companies with restricted stock plans made awards in 1990. The median typical award was $11,560 (number of shares multiplied by market value on the date of award). The first quartile was $5,775; the third quartile was $26,000 (see Table 39).

Stock Payment

Eight percent of the 891 participating companies could pay a portion of outside directors' annual compensation in company stock. The prevalence of this practice by industry category is shown in Table 37; prevalence by company size is shown in Table 38.

Eighty-nine percent of the 71 companies reported stock payments in 1990. The median typical payment was $7,000 (shares multiplied by market value on date of payment). The first quartile was $4,800; the third quartile was $10,000 (see Table 39).

Stock Compensation and Company Size

The larger companies have more restricted stock and stock payment arrangements than the smaller ones. However, stock option practice is the reverse: 38 percent of companies under $100 million have stock option plans; only 13 percent of companies over $10 billion have them. Since growth opportunities are usually greater in smaller companies than in larger ones, stock options enable smaller companies, at no cost to themselves, to give directors the chance for investment appreciation.

Table 37: Stock Compensation, by Industry Group

		With Stock Options		With Restricted Stock		With Stock Payment	
Industry Group	*Total Companies*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Manufacturing	354	115	33%	37	11%	35	10%
Financial	220	45	21	9	4	15	7
Service	317	70	22	23	7	21	7

Table 38: Stock Compensation, by Company Size

		With Stock Options		With Restricted Stock		With Stock Payment	
Sales / Total Assets (Millions of $)*	*Total Companies*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Under $100	125	47	38%	8	6%	2	2%
100-499	216	61	28	14	7	16	7
500-999	120	41	34	8	7	4	3
1,000-2,999	177	37	21	15	9	12	7
3,000-9,999	147	30	20	12	8	13	9
10,000 and over	106	14	13	12	11	24	23

* Total assets are used for financial companies; net sales are used for all others.

Table 39: Size of Grant/Award/Payment in 1990

	First Quartile	*Median*	*Third Quartile*
Stock Option	$22,500	$39,000	$75,000
Restricted Stock	5,775	11,560	26,000
Stock Payment	4,800	7,000	10,000

Related Conference Board Publications

Top Executive Compensation, 1991 Edition, Report No. 983, 1991

Composition, Election and Organization of Corporate Boards, Report No. 940, 1990

The Audit Committee: A Broader Mandate, Report No. 914, 1988

Board Committees in European Companies, Report No. 886, 1986

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